Council of the European Union

Brussels, 20 July 2026
(OR. en)

12083/26
ADD 1

ENV 978
CLIMA 409
ENER 531
TRANS 518
IND 503
COMPET 979
MI 804
ECOFIN 1034

COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	17 July 2026
To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
No. Cion doc.:	SWD(2026) 228 final
Subject:	COMMISSION STAFF WORKING DOCUMENT EXECUTIVE SUMMARY OF THE EVALUATION of the Innovation Fund's operation

Delegations will find attached document SWD(2026) 228 final.

Encl.: SWD(2026) 228 final

EUROPEAN
COMMISSION

Brussels, 17.7.2026
SWD(2026) 228 final

COMMISSION STAFF WORKING DOCUMENT

EXECUTIVE SUMMARY OF THE EVALUATION

of the Innovation Fund's operation

{SWD(2026) 199 final}

The evaluation is an interim check required under EU law to assess the Innovation Fund's performance from its launch in 2020 through early 2025. It addresses five core questions:

- how effectively the Fund achieves its goals;
- whether it uses resources efficiently;
- how well it aligns with other EU and national policies;
- whether it is still relevant to today's needs;
- and what added value it brings at the EU level compared with national action alone.

Its results will inform future decisions on how to adjust the Fund ([1]) and will feed into broader reforms of the EU Emissions Trading System (EU ETS), as the Fund's budget comes from the sale of EU ETS allowances.

The evaluation was supported by an external study that combined desk research, surveys, interviews, case studies, quantitative analysis and stakeholder consultations, and a dedicated workshop with practitioners in late 2025. As most projects are still in early stages, the evaluation focuses on processes, early results and expected impacts (e.g. projected emissions cuts and investment mobilised), rather than on long-term, measured outcomes. Data gaps, confidentiality constraints and the difficulty of isolating the Fund's impact from that of other funding sources mean that some findings are indicative rather than fully representative, even though the overall evidence base is robust.

The Fund was created with the 2018 revision of the EU ETS Directive to help bridge the gap between promising innovative pilot technologies and full commercial deployment, especially, though not exclusively, in sectors with 'hard-to-abate' emissions. Many technologies needed to meet the EU's long-term climate targets were then still at demonstration or early commercial stages. They faced barriers such as high upfront costs, uncertain performance, missing infrastructure and weak market demand. The Fund has thus been uniquely positioned to bring low-carbon technology to commercial application (crossing the 'valley of death') by helping overcome technical, commercial, regulatory and infrastructural risks.

National schemes alone could not tackle these challenges, as they were fragmented, varied in scale and often could not support large projects or ensure a level playing field across the internal market. The Fund was designed as an EU-level mechanism to de-risk investments in these technologies, create a competition for support based on excellence, attract added public and private finance, and accelerate deployment.

The Fund supports projects through 'regular' calls for proposals, competitive bidding (auctions) and blending operations. Through 'as-a-service' features, Member States may finance projects selected in Innovation Fund calls that cannot be directly supported by the Fund due to limited budget. The Fund's financial support is complemented by project development assistance (for mature proposals that were not selected) and dedicated support for National Contact Points. Grants are awarded to projects that can deliver the greatest greenhouse gas emissions reductions, with the highest levels of innovation, maturity, replicability and cost-efficiency (award criteria). Payments are tied to milestones (financial close and entry into operation), which helps manage risk and ensure accountability. In

([1]) Commission Delegated Regulation (EU) *2019/856 of 26 February 2019 supplementing Directive 2003/87/EC of the European Parliament and of the Council with regard to the operation of the Innovation Fund, Article 24(2),* available at: Delegated regulation - 2019/856 - EN - EUR-Lex

parallel, the Fund also invests in communication and knowledge sharing to spread lessons learned and support applicants.

Demand for Innovation Fund support has been high. Between 2020 and 2024, calls were consistently oversubscribed, with applicants requesting more than seven times the available budget on average. In the first large-scale call in 2020, the requested funding was about 21 times the budget. Oversubscription is still highest for general large-scale calls, while some more targeted or small-scale application windows show lower pressure and, in certain years, even receive fewer applications than the budget can support. Since the Fund's launch, EUR 12.7 billion have been awarded to projects through nine calls for proposals.

The expansion of the project portfolio across sectors and countries shows that the Fund is successfully attracting and backing large decarbonisation investments, even if their full impacts will not materialise until later. Given the technical, financial, infrastructural and regulatory complexities of large-scale, innovative commercial projects, beneficiaries have four years to reach financial close. Hence, by early 2025, many projects were still before financial close. Progress varies by technology area: nearly half of renewable energy projects had reached financial close, compared with less than one-fifth in energy-intensive industries, nine in energy storage, one in industrial carbon management and none in mobility, as these latest categories tend to be more complex and capital intensive. At the time of the evaluation, 13 projects (7 % of the portfolio) had entered operation. Several projects have been delayed or ended due to cost increases and other external challenges.

Effectiveness, efficiency, coherence

The Fund is broadly effective in spotting and supporting innovative projects with strong potential to reduce greenhouse gas emissions. Its design allows it to attract additional public and private investment, reduce perceived risks for investors, and accelerate project implementation (which might not otherwise occur or would do so more slowly). However, intense competition combined with a limited budget means that many high-quality proposals remain unfunded. The portfolio also shows some imbalances across sectors and countries, shaped by differences in project maturity, national innovation ecosystems and applicants' capacity.

Procedures for application, selection, grant preparation and disbursements are transparent and well-controlled. Nonetheless, stakeholders report that application and reporting rules are complex and resource intensive, placing a heavy burden on smaller companies and evaluators. Oversubscription and the need to manage a growing and diverse portfolio with limited internal administrative resources create operational pressures both at national and Union levels, indicating that further simplification and adequate staffing will be essential as the Fund expands.

The Fund aligns well with EU climate and industrial policies (the European Green Deal, the European Climate Law, the Clean Industrial Deal) and complements other programmes (Horizon Europe, the Connecting Europe Facility, InvestEU, LIFE, the Modernisation Fund, the Recovery and Resilience Facility). It is also the funding programme which has so far awarded the majority of STEP Seals, an excellence label aiming to support projects seeking additional or alternative funding from private and public investors, at both EU and national levels. However, these linkages could be exploited more systematically. The Fund's broad scope and competitive selection deliver unique benefits that national schemes alone could not easily provide, such as cross-border support, improved proposal quality through EU-wide competition and knowledge spillovers. Tools such as 'auctions-as-a-

service' have also delivered efficiency gains by standardising procedures and reducing duplication of effort with national administrations.

EU added value and relevance

The Fund finances high-risk, large-scale, capital-intensive climate innovation projects that individual countries would struggle to fund or coordinate on their own, particularly in hard-to-abate sectors. Its main strength lies in its EU-level design: it helps bridge funding gaps, de-risk emerging technologies and foster cross-border knowledge spillovers, complementing rather than replacing national policies. To fully unlock its potential, the Fund needs better alignment between its design and the risk profiles of projects, and closer coordination with other financing sources.

The Fund's goals stay highly relevant given ambitious EU climate targets, the need to decarbonise hard-to-abate sectors and intensifying global competition in clean technologies. Continued oversubscription for Fund calls confirms that there is still a significant financing gap that the instrument is designed to address.

Conclusions

The evaluation highlights several lessons and options for improvement, including simplifying application and reporting rules to reduce upfront effort for potential applicants, especially for small and medium enterprises. Stronger capacity building in countries with lower participation, better-resourced National Contact Points and closer coordination with other public funding schemes could help broaden participation and raise the quality of proposals across Europe. The evaluation also underlines the need to improve internal monitoring and reporting so that the Fund's impact is even more visible in the next evaluation period.